

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE APPLICATION OF THE	)	
FUEL ADJUSTMENT CLAUSE OF EAST	)	CASE NO. 94-459-C
KENTUCKY POWER COOPERATIVE, INC. FROM	)	
NOVEMBER 1, 1995 TO APRIL 30, 1996	)	

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on June 13, 1996 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of East Kentucky Power Cooperative, Inc. ("East Kentucky") for the 6 months ended April 30, 1996.

As part of this review, East Kentucky, pursuant to Commission Order, submitted certain information concerning its compliance with Commission Regulation 807 KAR 5:056. A public hearing was held on August 22, 1996.

The Commission has previously established East Kentucky's base fuel cost at 12.71 mills per Kwh.<sup>1</sup> A review of East Kentucky's monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 12.01 mills in April 1996 to a high of 12.48 mills in January 1996. East Kentucky's average fuel cost for the review period was 12.24 mills.

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<sup>1</sup> Case No. 94-460, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 1992 to October 31, 1994, Order dated April 5, 1995.

FAC is  
Original

In its Order in Case No. 94-459-B,<sup>2</sup> the Commission discussed the circumstances surrounding East Kentucky's combustion turbines' non-availability. It is unclear whether East Kentucky's actions are consistent with the FAC regulation. See 807 KAR 5:056, Section 1(4). Since East Kentucky is currently seeking reimbursement of these costs from ABB Power Generation and has stated that any reimbursement will be passed on to its ratepayers, the Commission will permit East Kentucky, for the time being, to pass these fuel charges through its FAC. The Commission, however, expressly withholds ruling on these charges' reasonableness and lawfulness until the next biennial review of East Kentucky's FAC.<sup>3</sup> Furthermore, it expects East Kentucky to keep the Commission fully apprised of the progress of negotiations with ABB Power Generation.<sup>4</sup>

IT IS THEREFORE ORDERED that the charges and credits billed by East Kentucky through its FAC for the period November 1, 1995 to April 30, 1996 are approved.

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<sup>2</sup> Case No. 94-459-B, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from May 1, 1995 to October 31, 1995. Order dated May 23, 1996.

<sup>3</sup> Commission Regulation 807 KAR 5:056, Section 1(12), requires the Commission to review and evaluate the operation of an electric utility's FAC every two years and to disallow any improper expense. The next biennial review is scheduled for February 1997. If, at the conclusion of that review, the Commission determines that the fuel charges in question may not lawfully passthrough East Kentucky's FAC, it will order East Kentucky to charge off and amortize those charges by means of a temporary decrease of rates.

<sup>4</sup> The Commission places East Kentucky on notice that the progress of these negotiations will be a subject of information requests in future FAC review proceedings.

Done at Frankfort, Kentucky, this 11th day of October, 1996.

PUBLIC SERVICE COMMISSION

Linda K. Breathitt  
Chairman

Ch. J. H. H. H.  
Vice Chairman

B. J. Helton  
Commissioner

ATTEST:

Don Mills  
Executive Director